

January 4, 2015

OECD Corporate Governance Committee
c/o OECD Secretariat
2, rue André Pascal
75775 Paris Cedex 16
France

Via Email: dafca.contact@oecd.org

Dear Sir/Madame,

British Columbia Investment Management Corporation (bcIMC) manages a C\$114 billion portfolio, as of March 31, 2014, of globally diversified investments on behalf of the public sector pension plans of British Columbia, and publicly-administered trust funds, as well as other public sector bodies. As a large, diversified investor, bcIMC believes that sound corporate governance and corporate responsibility practices contribute to the long-term success of the public corporations in which we own shares. bcIMC also believes that by being an active shareholder, we can influence directors and management to improve corporate governance practices and disclosure and hold company board of directors to account when necessary.

We are encouraged to see the OECD Corporate Governance Committee updating the Principles of Corporate Governance (“the Principles”). bcIMC sees this as an important exercise as the last version was published over ten years ago and the world of corporate governance continues to evolve rapidly with growing realization that governance structures play a key role in setting the foundation for shareholder value creation.

bcIMC noted several revised features within the guidelines that are positive from our perspective including strengthening the language around related party transactions; addition of clawback policies as good practice; and, the addition of gender diversity, among others. For the sake of brevity, our comments below focus on areas where bcIMC feels the Principles could be stronger in order to protect minority shareholders.

The Rights and Equitable Treatment of Shareholders

In this section, we would like to emphasize two crucial points that the Principles recognize as basic shareholder rights but that bcIMC feels are still not fully enjoyed by all shareholders in OECD countries. The first is the right to participate and vote in general meetings. In our experience, exercising this right in full is often hampered by companies that continue to use non-voting shares or multiple voting shares that are not widely available to all shareholders.

In particular, we are disappointed that the Principles remove a reference to the fact that many institutional shareholders support the concept of one share, one vote (page 11). When companies employ these capital structures minority investors are marginalized and either cannot participate in general meetings in a meaningful way or, the effort that goes into exercising our limited rights is negated by the fact that a controlling shareholder is ultimately deciding the fate of the company.

In addition, disproportionate voting structures hinder our ability to elect and remove directors, another basic shareholder right identified by the Principles. As mentioned above, investors' voting rights are significantly hampered when a single controlling shareholder has the ability to elect or remove directors unilaterally even when they do not control the company through a corresponding equity stake.

The other barrier to exercising these two fundamental rights, is the prevalence of the plurality voting system where investors are not able to vote against nominees but rather, only withhold their vote. This ensures that nominees that are supported by the current board and management are elected and makes removing directors by a shareholder vote impossible. Majority voting, which would require a nominee to get at least 50% of the votes, should be the recommended norm in all OECD countries.

For the above reasons, bcIMC encourages the Principles to take a stronger stance on both the one share, one vote principle as well as on majority voting as these are consistent with the most basic of rights identified by the Principles themselves.

Disclosure and Transparency

In this section, we would note that there are differing references to 'environmental and ethical standards' or 'non-financial information'. bcIMC encourages the Principles to adopt the language of environmental, social and governance (ESG) data and reporting which is rapidly becoming the most common reference point for this type of information. This is illustrated by the increasing support for the Principles for Responsible Investment (PRI) which now collectively includes over 1,300 global signatories responsible for managing over US\$45 trillion in assets under management.

PRI signatories have committed to integrating ESG data into investment decision-making; engaging with companies in their portfolio; as well as engaging policy makers. The growing signatory base of the PRI also points to the need for investors to have access to timely disclosure on ESG data in a consistent way and, within this context, the Principles could be stronger on the obligation of companies to report such data to the investment community. While the Principles encourage companies to disclose *policies* in areas such as the environment or human rights, investors increasingly need performance data to provide assurance that policies are being implemented.

The OECD Guidelines for Multinational Enterprises are also mentioned as being relevant in this context, however, disclosure is only one element of these guidelines. bcIMC would prefer to see standards mentioned that are primarily focused on disclosure such as the Global Reporting Initiative, Sustainability Accounting Standards Board, or the International Integrated Reporting Framework. We would not expect the Principles to suggest adherence to any of these standards, but consistent with other areas addressed by the Principles, a suggestion of best practice would be helpful.

In regards to the importance of the audit process, bcIMC would recommend that the Principles identify auditor tenure as a threat to independence. There is a focus on the non-audit work conducted by the auditor within the Principles which we agree is important, but also feel that tenure can cause an auditor to lose objectivity.

Concluding Remarks

It is important for the OECD to reflect current best practice and bcIMC feels the proposed changes to the Principles are a significant improvement. However, given the length of time that has passed since the 2004 version, we would expect some stronger language in the areas identified above in order to protect the interests of all shareholders.

bcIMC appreciates the opportunity to comment on such an important document and if we can be of further assistance please contact Jennifer Coulson at jennifer.coulson@bcimc.com.

Regards,

A handwritten signature in blue ink, appearing to read "Bryan Thomson". The signature is fluid and cursive, with a large initial "B" and "T".

Bryan Thomson
Senior Vice President, Equity Investments